



KAKA INDUSTRIES LIMITED

(Formerly Known as 'KAKA INDUSTRIES PRIVATE LIMITED')

Date: 6th November, 2024

To,
BSE Limited,
Floor 25, P.J. Towers,
Dalal Street, Mumbai – 400001

Scrip Code: 543939

Dear Sir/ Madam,

Sub: Transcript for H1 FY25 Post Earnings Conference Call held on 31st October, 2024

This is to confirm our earlier communication dated 26th October 2024 regarding the Conference Call held on Thursday, 31st October 2024, at 11:00 A.M. to discuss the Company's financial performance for the half year ended 30th September 2024.

In compliance with Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to provide the transcript of the conference call held on 31st October, 2024.

This is for your kind information and record please.

Yours Faithfully,
For, Kaka Industries Limited

Bhavin Rajeshbhai Gondaliya
Whole Time Director
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Kaka Industries Limited (KAKA)
H1 FY25 Post Earnings Conference Call
October 31, 2024 11:00 AM IST



KAKA INDUSTRIES LIMITED

H1 & FY25

POST EARNINGS CONFERENCE CALL

October 31, 2024 11:00 AM IST

Management Team

Mr. Chintan Bodar - Chief Financial Officer

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the H1 FY'25 Post Earnings Conference Call of Kaka Industries Limited. Today on the call from the management we have with us, Mr. Chintan Bodar, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to detail us about the business and performance highlights for the half year that went by, the growth plans and vision for the coming year, post which we will open the floor for Q&A.

Over to you, Chintan.

Chintan Bodar:

Good morning to all on this auspicious day. Happy Diwali to all. We welcome you all to the earning call of half year ending on 30th September, 2024. I believe you have an opportunity to go through the investor presentation on the financial result, which has been uploaded on the Stock Exchange.

Now highlighting the PVC furniture industry's growth potential. Number one, sustainable and future ready. PVC's recyclable nature makes it an eco-friendly choice aligning with global sustainability trends. Second, high demand drivers, the materials cost effectiveness, waterproof, and termite proof makes it ideal for the large-scale application in new housing development and renovation of houses and offices. Third, market boom. With the real estate sector on the rise and government initiative, boosting residential housing, the demand for PVC furniture is both stable and growing.

Now highlighting on the business operation in the first half of the year. I will start with our product portfolio, which is widened to Hollow uPVC profile, WPC profile sheet and frame, uPVC window profile, Wall Cladding, PVC Ceiling, PVC Laminates, uPVC Roofing Sheet, Charcoal Panels, WPC Louvers, HVLS Fans, and PEB that is pre-engineered building.

Now the revenue bifurcation are - Hollow PVC profile is 56%, WPC profile sheet and frame is 25%, uPVC window profile is 6%, uPVC

roofing sheet is 4%, PVC laminate is 3%, PEB is 3%, and other materials and products are 3%.

So now our installed capacity has been increased to 54,000 metric ton per annum from 20,500 metric ton per annum at company level. And the actual achievable capacity is increased to 37,500 metric ton per annum. However, we were able to utilise it only 25%, 26% due to electricity issue at the new plant as this product needs continuous supply of electricity. The problem is almost resolved. The work is under process, and we are hoping to start the plant at full capacity by end of November 2024.

In this period of the first half, we have started uPVC window installation plant, work of PEB that is existing its capacity is 300 metric ton per month, selling off HVLS fans and acquired the machinery of SPC flooring. In this period, sale growth was 10% year-on-year and 15% half-on-half.

Now if you look at the product level for Hollow PVC, uPVC window and WPC products, demand was there but we were not able to cater the demand on appropriate time due to supply constraint where we would have done by supplying the products on time. That is due to non-availability of continuous power supply.

Now we have not started the machinery even though it is laying at the factory, which will be started in this month and some of that in next month. For roofing sheet, demand is not up to the mark, and we are trying to spread awareness and benefit of uPVC roofing sheet and hoping to get good demand for the product in the coming time.

For PEB, we have started working small part of the factory, and we will build a new plant for PEB with the capacity of 1,000 metric ton per month in this year. And the other products are reasonably doing good. And EBITDA margin for the first half is 13.5%, and it was up by 35% YoY and 8% HoH. Net profit is 6.8%, which is down in compared to previous period due to higher cost of interest, cost, and depreciation, which is almost double. The company has invested ₹60 crores in the last one and a half year in building and plant and machinery and solar rooftop.

So, that is it from my side. We can now start question-and-answer session.

Question-and-Answer Session

Moderator: Sure. Thanks, Chintan. All those who wish to ask a question, may use the option of raise hand, or you may drop us a message on the chat window, and we'll invite you to ask the question. We'll take the first question from Garvit Goyal. Garvit, please go ahead.

Garvit Goyal: Like you mentioned, first half was muted due to some supply constraints. The question is on the how second half is looking like? Like, what kind of growth are we looking at for full-year FY'25?

Chintan Bodar: So, the electricity issue is almost resolved, and now we are hoping to start the production at full capacity by end of November, that is next month. So, year-on-year, we can assume that, we can grow at 30% at revenue level.

Garvit Goyal: Despite the muted H1, right?

Chintan Bodar: Yeah. Yes.

Garvit Goyal: Perfect. And going ahead, like what kind of shift are people witnessing in your product profile, that may lead to increase in your EBITDA margins over the next say one to two years?

Chintan Bodar: So, EBITDA margin is almost 13% to 14% for this industry, I mean, it is very good. And we are continuing with that margin only. And coming to the new plant, I mean, when we'll start the new plant at full capacity, hopefully, we will add 1% to 2% margin in EBITDA.

Garvit Goyal: Perfect. And like from the medium-term perspective, after this expansion that we currently taken on, how do you see like, what level of scalability do you target internally for our top line for next let's say three years?

Chintan Bodar: So, year-on-year, we can assume 30% we can grow, because we have PVC products, PEB, SPC flooring, installation of this new plant for uPVC window. So, hopefully, we can achieve that 30% YoY for next three years.

Garvit Goyal: And 30% for this year, that would mean about ₹130 Cr kind of number in second half. So, is that understanding, correct? Like, it is achievable for us?

Chintan Bodar: Yeah. ₹115 Cr to ₹130 Cr is, I think we are hoping for.

- Garvit Goyal:** Perfect. That's it from my side. All the best for the future.
- Chintan Bodar:** Thank you.
- Moderator:** Sure. Thanks. Anybody else who wishes to ask a question, please raise hand. Navneet? Sorry. You're unmuted. Do you wish to ask a question?
- Navneet Singh Sachdev:** Yes. First of all, thank you so much for scheduling this call. Really appreciate it. My question is, I could see, like there's a lot of advertisement expense going on. I saw your partnership with Bhool Bhulaiyaa team as well and then the Maidaan team. So, should we expect this trend to continue going forward as well? Because the advertisement expense is a significant like, it's a significant part, right? It's a lot.
- Chintan Bodar:** Yes. So that's advertisement part, I mean, we as a management decide that, we should continue with this. And going forward, we will shift from this kind of, advertisement or this kind of stream to another. I mean, some ambassador or sponsoring in IPL. But that is our future plan. As of now, we are sticking to the, same plan as we are doing.
- Navneet Singh Sachdev:** Got it. All right. Thank you. And, one more thing which I wanted to understand is basically what are the risks that you face as of now? Like, if there is something which you think that if this happens, I mean, business is like, there's always uncertainty, right? So, I just want to understand like, from what do you think? What would be the potential risk that can affect the business?
- Chintan Bodar:** So, hopefully, we have in India, as of now real estate is booming, and we are targeting affordable housing, renovation of the houses and offices. So, for the PVC product as of now, there is no risk as such we are looking for. And even though we have added new products to cope up with the risk if it emerges in the future. For that, that is SPC flooring, we will start in November month. We have PEB business that is pre-engineered building. So, we have also diversified our businesses to cope up the risk if it is there.
- Navneet Singh Sachdev:** Okay. Thank you so much. And one last question is the new factory that you have installed. Sorry, if I missed this earlier, but wanted to ask like, would this be fully utilised, like 100% utilised?

Chintan Bodar: Yes. It will be. Once the electricity that continuous supply will be there, we will utilise it fully.

Navneet Singh Sachdev: Like it from November end, right?

Chintan Bodar: Yeah.

Navneet Singh Sachdev: Okay. Thank you so much. Really appreciate it.

Chintan Bodar: Thank you.

Moderator: Thank you. We'll take the next question from Jaimin Vaghani. Jaimin, please go ahead.

Jaimin Vaghani: Okay. Thank you so much for this opportunity. So basically, my question is, this is a highly competitive market in this particular segment. So, any strategy to survive for a long time or any company as a further expansion goal?

Chintan Bodar: Sorry. Can you repeat the question?

Jaimin Vaghani: Yeah. So, my question to you is like, this is a bit competitive market in this particular segment. So, do you have any strategy to survive for a long time or company has any further expansion plan?

Chintan Bodar: So, for the last one and a half year, we already invested ₹60 crores in building and plant and machinery to scale up the production capacity. That was the main concern in the last three years, because there was a demand. Our dealer was asking for the materials, but we were not able to deliver the materials in time.

So, we have invested. We have expanded the capacity. Now the supply is ready. Demand is already there. So as of now, we are not thinking any negative in the PVC products segment.

Jaimin Vaghani: Okay. Perfect. Thank you so much for the response. My next question is how to supply Kaka product in PAN India, and what is the plan for expansion in PAN India? And any chance to export or increase presence outside of India?

Chintan Bodar: No. As of now, whatever the dealers we have associated with, we are not able to cater them, I mean until the last two to three months, because now we have capacity, and we are delivering the products.

And still, we have the lag of 10 days after the order. So, we will want to reduce it to two to three days.

And for PAN India question, we have dealers in every part of the India and almost every state. So, we will try to increase that number of dealers in the untapped area.

Jaimin Vaghani: Okay. And any idea about like, are you planning to export your product or increase the presence outside of India?

Chintan Bodar: So current product portfolio is not meant to export, but definitely, SPC flooring will be the export-oriented product only.

Jaimin Vaghani: Okay. Perfect. And my next question is, what is the vision of the company. Like, currently, market cap is around ₹400 crores. What kind of the margin, we can expect as an investor over the next two to three years?

Chintan Bodar: So, we will grow in revenue terms 30% year-on-year. For next three years, what we have decided as a management. And accordingly, the margin, I think will be in the same line that what we have earning right now. And once the fully integrated plant will be in action, we can add 1% to 2% in EBITDA margin. So, hopefully, we can be I mean, on the same line as what we have hope for. So, let's see how it can go.

Jaimin Vaghani: Okay. And last question, then I'm done with my questions. How you will get a growth of the company? Like, any plan to enter in premium or super luxury segment?

Chintan Bodar: No. As of now, we have luxury segment uPVC window, and SPC flooring we are planning to. So as of now, this product portfolio we have already expanded our product portfolio in last six months. So, if you can see our previous presentation and current presentation, you will find the difference of the product portfolio we have added.

Jaimin Vaghani: Okay. Perfect. And for upcoming next five years, do you have any sales target?

Chintan Bodar: No. The 30% YoY growth is what we are hoping for, for the next three years.

Jaimin Vaghani: Okay. Perfect. Yeah. Thank you so much.

Chintan Bodar: Thank you.

Moderator: Thank you. We'll take the next participant from the chat window, Bhavani Kumawat. You can go ahead, please.

Bhavani Kumawat: Yes. I just wanted to understand, so we track the building material sector particularly, and I just wanted to understand from you because of the demands in area currently, because building materials like the wood panel sector or the tiles ceramic sector has been basically significant and which were last one and a half years. Why should we look at our product? Is there any differential products as compared to these products? Just wanted to understand, your view on the demand looking forward for next one year for the SPC prospect? That's first question. And then...

Chintan Bodar: So mainly our main products are into for the furniture, houses and offices. So, I think there is no slowdown in the demand of the products. And though it is a building material, but these furnitures are also being used for the renovation also. I mean, new houses are there and I mean, our ultimate product where it is used. So, it is used in the new houses and for the renovation also. So, there is no slowdown.

Bhavani Kumawat: Okay. So, can we say that the large demand will be on the renovation and not from the new houses?

Chintan Bodar: There is equal demand for that. But we are also targeting renovation, with existing customers who have installed wood furniture in their house. So, if there is an issue of termite or I mean water issues are there, so they are shifting to the PVC furnitures.

Bhavani Kumawat: Got it. And can we say that for the new kind of furniture, we can say that the demand arises at least after two to three years once the project is being launched, because people get their home ready and then they start doing different furniture. Is that the right way to understand the industry?

Chintan Bodar: Yes. Well, I mean you are saying that the new building, right?

Bhavani Kumawat: Yeah. So, let's say once a project is being launched two and a half years back and handover to the owner will be after this. So, the owner will start doing the furniture and all that everything. So that's the right way of understanding the demand, right?

Chintan Bodar: Correct. Yes.

- Bhavani Kumawat:** Okay. So how you are seeing this kind of demand? Because what we understand from the other companies, other furniture companies like the wood panel companies, they are not seeing this kind of demand particularly. So, are these our product is mainly an OEM kind of product, or how I should look at this?
- Chintan Bodar:** So, our base is dealer distribution network only. We are not selling to direct consumer. So, there are lots of areas in India where the PVC furniture products are unknown. So, we have the opportunity to tap that area and explore them further. And also, as of now, till the last two to three months, we were not able to cater our existing demand also. So, what we are seeing as a management or a company that we have large opportunity for the upcoming time.
- Bhavani Kumawat:** Also on the pricing perspective, so let's say I want to construct a house and I want to do everything from the wood panel perspective, like I want to do MDF. I want to do plywood. And if I and that cost comes let's say comes to ₹5 lakh to ₹10 lakh for a small house kind of thing. So how much pricing difference still will be there if I do with the PVC kind of thing?
- Chintan Bodar:** It depends, but generally, you can say 20% to 25% will be cheaper in PVC.
- Bhavani Kumawat:** Got it. Understood. And any view on the BIS, which has been coming on the furniture industry, maybe in the Feb onwards. So, any benefit which we will be getting from the same?
- Chintan Bodar:** That I need to check. I haven't seen that.
- Bhavani Kumawat:** Sure. I'll come back in the queue.
- Moderator:** Thanks, Bhavani. We'll take the next question from Manan Vandur. Manan, you can go ahead, please.
- Manan Vandur:** Thank you so much for the opportunity. So, I had three questions. First would be that, do we have any strategic partnership or like an exclusive customer who takes only from us, like in a real estate project developer? Maybe like a Lodha Group or someone who takes just from us is do we have some sort of that client?
- Chintan Bodar:** So, we do not have any direct relation with the developers. We are selling to them through our dealers and distributor only. So, we want to retain, I mean, we want to retain their interest also, if the dealer is

available in this, I mean areas where the development is happening. So we will supply them. We will tap them, but through dealers only. So directly we do not have any client as of now.

Manan Vandur: Okay. Understood. And second question would be, who will be our listed competitor?

Chintan Bodar: Precisely, you can say, Dhabriya Polywood is our competitive. I mean, they are in the same space.

Manan Vandur: Yes. Because they also do SPC and uPVC and everything.

Chintan Bodar: Correct.

Manan Vandur: So how have you placed yourselves? How have you whatever differentiated yourself than Dhabriya? They also have like, their margins also around 15, 16 percentage wise. And ours is like around 14%?

Vinay Pandit: Manan, we would like to avoid any direct comparative questions in conference calls.

Manan Vandur: Okay. No problem. And do we disclose our order book or something like that, so that we would know what current orders we have?

Chintan Bodar: So, our order books are generally on a month-on-month basis. Our dealer places order with us. And based on that, we are forecasting our production plan. So, there is no order book as such in our case.

Manan Vandur: Okay. Understood. Thank you so much. That's it from my side.

Moderator: Thank you. We'll take the next question from Varun Ghia. Varun, you can go ahead.

Varun Ghia: Hi, my question pertains to the pre-engineered building segment which you venture into. So, what is your role and how big is the demand and any specific orders which you have received? If you can throw some light on that.

Chintan Bodar: So, this PEB is totally diversified from the PVC, but Rajesh bhai our promoter was already doing this business for last 5 to 6 years. Then he decided to merge this business with the Kaka. So, we have started recently in month of May and started with the small capacity. That is 300 tons per month. So eventually, we had the client. We have the

capacity. So, we have decided to build a new building and plant and machinery with the capacity of 1,000 metric ton per month in this year only.

Varun Ghia: And any specific orders?

Chintan Bodar: No. As of now, we do not have any specific order. I mean, large orders. We have small, small orders.

Varun Ghia: This year focusing in the domestic environment not in globally?

Chintan Bodar: No. I mean, in the area of Ahmedabad and nearby.

Varun Ghia: Okay. And in this PVC and uPVC, how big is the unorganised market?

Chintan Bodar: We can say, largely it is unorganised market. There are small players, the numbers of players you can count on there, those are into the organised market are few. So, it is a bigger market, I think.

Varun Ghia: How much market share would these smaller players have?

Chintan Bodar: Actually, I don't have the numbers, but largely it is an unorganised market.

Varun Ghia: Yes, thank you.

Moderator: Thank you. We'll take the next participant from the chat, Ankit Gor. Ankit, you can go ahead.

Ankit Gor: Yeah. Hi, thank you. I'm pretty new to the company. So, we'll ask few basic questions. First of all, you also mentioned about industry being unorganised, and there's a lot of competition. So how do we differentiate, probably what's our right to win? Is it a distribution network? So, what are right to win when it comes to competition like Dhabriya, Sintex and sheets being imported from China and getting stamped here. So how are we placed in that case, and how are we surviving and thriving and probably fighting for 30% growth? So what is our right to win?

Chintan Bodar: Yes. So, it is a highly unorganised market. I agree. But people want quality product also. So, if you look at the unorganised player, they don't have the large infrastructure or the capacity of after sales service. So as a Kaka or organised player, we have the plant and machineries,

which can produce quality products. We have the manpower, and we have the good track record over the last of almost 15 to 20 years.

So, we can say that, though there are the highly competitive market and there is a Chinese product also, but people now want immediate service also. So, if you look at the Chinese product, you have to wait for some period, I mean, one to two months. And there are number of textures, colours, and sizes people want for their houses. So, we can supply them, I mean at the immediate time.

Ankit Gor: But in a larger picture, if you will see, what are we replacing with, let's say, a plastic door or PVC door, it is getting replaced with what? And secondly, with regards to the same question, who is our target customer? Obviously, we are selling to distributors and eventually distributors selling to customers. But our customer ranges, a customer profile is what? If you can?

Chintan Bodar: You can, the PVC products are waterproof, termite proof. So, I mean, there are the problems of termite and water. They will definitely use the PVC product. And so coastal areas, and I mean renovation of the house is where the wood furniture is already there and they do not wish to continue with that. And for the doors, we are largely into furniture now, doors is a small part. I mean, 15% of the total revenue is door, and 85% is furniture.

Ankit Gor: But our customer base remains a lower middle class or below income in a kind of a Tier 2, Tier 3 cities. What is that profile, sir? How do we segregate that?

Chintan Bodar: So, I mean, if you can exclude the super high-class, this PVC furniture, they are buying from the dealer and distributor. Reason is, there are lots of colours and textures are available as of now. Previously, it was not there. So, by looking and touching the product, you can feel that the same as of the wood. I mean, you cannot differentiate by just looking. So, it is there. I mean, demand is there in all the segment except the super-rich.

Ankit Gor: Now with regards to the uPVC business. We make profiles, right? And then the insertion, which we buy from outside. But the profile we make in or profile we import and we do fabrication there. What is the process here or we make our profile also?

Chintan Bodar: No, no till the September, we were only supplying the profiles to the dealers. And subsequently, the fabricators will use their profile and

install the furniture at the houses. Now from September onwards, we have started the installation plant for uPVC window. So that is the scenario.

Ankit Gor: And don't you think so this uPVC will kind of deteriorate our overall working capital? And we have seen in Dhabriya scale. Dhabriya is obviously struggling, was struggling and still struggling in a way with working capital, specifically in uPVC, mainly two reasons. It is my understanding. I don't want you to comment on Dhabriya, but I'm just want to understand your working capital requirement. Will it get stretched or not? Because builder will come into a picture in smaller sizes and lower order book. So how do you see this changing?

Chintan Bodar: So, we have just started the installation work for the uPVC window. So as of now, we do not have the experience of that, what we are saying that. But I think we will do the work on the advanced basis or sure, we will check the payment terms before the work started. So, I think there will be no issue.

Ankit Gor: Okay. And how much CapEx we did in uPVC for specific this project?

Chintan Bodar: We have manufacturing capacity of 2,700 metric ton per annum.

Ankit Gor: Okay. How much CapEx we did for this 2,700 MT?

Chintan Bodar: Specifically, I cannot say, but overall, we have invested ₹60 crores in last one and a half year into building and planting machinery at overall capacity.

Ankit Gor: All right. And second last question was whatever CapEx we have done till now, let's say optimum utilisation, what revenue we can achieve probably in two, three years or whatever that time frame is?

Chintan Bodar: For the existing machinery, what we have installed, we can achieve ₹400 crores to ₹425 crores per annum.

Ankit Gor: And by when, sir?

Chintan Bodar: I think, by I mean, it will take two years from now. In '26, hopefully, we can achieve, and if not, then in next year.

- Ankit Gor:** Let's say in '25, we did about ₹170 crores. Let's say 30% of growth over it. So, say, if we assume ₹200 crores in FY '25. And that means you trying to say that in '28, we should do ₹450 crores.
- Chintan Bodar:** No, no, in '26. I mean, in next two years. In '25-'26 and '26-'27.
- Ankit Gor:** Okay. So safely FY '27, we should be doing ₹450 Cr.
- Chintan Bodar:** Yes.
- Ankit Gor:** And, hopefully, with the same working capital intensity, that's what I would like to assume here.
- Chintan Bodar:** Yes.
- Ankit Gor:** And my last question with regards to, you've been mentioned few times about electricity problems. And what was the problem and how did you resolve it? And what are we making sure that it doesn't happen?
- Chintan Bodar:** So, this is the extrusion method, what we are using for the production. And for that, we need continuous supply of the power. So, at our new factory, we did not have the power supply that which is continuous. So, we applied for that and we got all the licenses for that. And the infra for that is under the progress. So, by end of this month, it will be completed, I mean, November. And hopefully, we can start at full capacity in December.
- Ankit Gor:** Sure. Sorry. I'm just squeezing one more. At ₹450 crores, let's say by FY '27, we are achieving ₹450 crores. How do you see this ₹450 crore breaking in doors and furniture and uPVC, PEB, and other businesses? More broadly, you can give that.
- Chintan Bodar:** So as of now, 56% or 60% is into Hollow PVC, 25% into WPC and 6%, 5%, 4% into window, roofing, and laminates. So, eventually, the smaller contributors will give more contribution in the coming time. I mean, we want to expand our footprint into uPVC window, which is only 6% of now. So that ratio will definitely change eventually.
- Ankit Gor:** Sure. My only worry in uPVC is with regards to working capital. Nothing else. I'm sure you guys would have seen it before putting the plant, and you must have assessed all these things.
- Chintan Bodar:** Yes.

- Ankit Gor:** Thank you very much and all the best.
- Chintan Bodar:** Thank you.
- Moderator:** Thank you. We'll take the next question from Bhasker Koka. Bhasker, you can go ahead, please.
- Bhasker Koka:** Yeah, I have a question with regard to projects versus the consumer business that we are doing. In the projects business, the cash will be coming from the dealer or distributor only, or do we wait for the cash from the developer? That's my first question.
- Chintan Bodar:** No. It is through dealer and distributor only. So, the payment terms what we have decided with the dealers that they have to follow, and we do not have to worry about the payment from the developers.
- Bhasker Koka:** Okay. And how much percentage of it is from projects versus retail?
- Chintan Bodar:** Our 100% billing is through dealers only. Understood, but I do not have the numbers as of now, what we can differentiate. So, hopefully, I will tell you in coming time.
- Bhasker Koka:** Okay. I missed the starting call. What is it about the advertising strategy, if you could repeat, if you don't mind?
- Chintan Bodar:** For advertising, as of now, I mean what we are doing is shutter painting, wall painting, Hoardings and radio till the time. Now, recently, we have associated with the Bhool Bhulaiyaa team for the branding. So, in future, we will definitely change our method of advertisement, what we have discussed in earlier question. Yes.
- Bhasker Koka:** Would we still be doing the big advertisements? TV commercials, radio?
- Chintan Bodar:** Yes. We will do in future.
- Bhasker Koka:** Okay. And how much are we budgeting as a percentage of sales for this one?
- Chintan Bodar:** Percentage of sales, you can say 5% to 6%.
- Bhasker Koka:** Okay. Fine. Yeah. That's it. Thank you.

Moderator: Thank you. We'll take the next question from Navneet Singh. Navneet, please go ahead.

Navneet Singh Sachdev: Hello, my question is like, could you share the bifurcation of sales by each region? I'm assuming Gujarat forms the major part, but could you share more exactly?

Chintan Bodar: Yes. Gujarat is 60%, and Telangana is 8% to 9%, Karnataka is 6% to 7%, Maharashtra 5%, Rajasthan is 3% to 4%, and others around 13% to 14%.

Navneet Singh Sachdev: Do you think any other state has potential work from like?

Chintan Bodar: No. We are targeting for Telangana, Karnataka, Maharashtra, Rajasthan.

Navneet Singh Sachdev: Okay. Got it. Thank you.

Chintan Bodar: Yes.

Moderator: Anybody else who wishes to ask a question may use the option of raise hand or drop us a message on the chat window. We'll take the follow-up question from Bhavani Kumawat. Bhavani, you can go ahead.

Bhavani Kumawat: Yeah. Thank you so much for the follow-up. Just wanted to understand, company EBITDA balance sheet and the cash flow cost, especially. How one should look at down the line and your capacities, so your current capacity utilisation of the PVC plant is around 25% what you mentioned. Is that correct?

Chintan Bodar: Yes, yes.

Bhavani Kumawat: Okay. Understood. How one should look at the working capital over here and cash flow generation? And how things will shake up on the balance sheet, particularly on the debit side? What is the outlook here?

Chintan Bodar: So, overall, the debtor days are almost 40 to 50 days, and inventory, we wish to keep more because there are lots of sizes and colour and textures are there. So, we want to cater the demands in two to three days, what we want to achieve. So, for that, we have to keep the materials in our store. So, it will increase. I mean, it is 70 days as of now. So, it will be around 90 days, what we are thinking. And,

otherwise, it is in control. I mean, 40 days is industry standard for the debtors.

Bhavani Kumawat: I just wanted to also understand that, the categories which we are dealing. So, do India have significant imports over here on the same projects?

Chintan Bodar: As of now, no. There are lots of manufacturer in the India only.

Bhavani Kumawat: Okay. So, there is no import office for this product, right?

Chintan Bodar: There are import, import is there, but not the higher percentage. I mean, it is I think 20% is from import, and 80% is from manufacturing in India.

Bhavani Kumawat: Also how is our pricing as compared to the unorganised kind of player? And is there any kind of specific cluster, which manufacture this kind of thing or they are having separate kind of facilities in different region?

Chintan Bodar: So, for every region, there are two to three major players are there in India. So, if we say, Gujarat so, we are the market leader over here. For the other area, I mean, South, there are two to three, I mean producers out there. So, we are competing with that, and the prices are almost same in, because we have to compete with them in prices also. So being it is a cost effectiveness product, you cannot charge higher than what it is prevailing.

Bhavani Kumawat: How do you convince your distributors or dealers, who take this product over a good final kind of product? So, what's your thought process over here? And how do you convince your, the channel partners that use or your influencer that use this product over the other products? So, can you just help me with the same?

Chintan Bodar: So firstly, in compared to wood, there are the benefits, it compared to wood, there are cost effectiveness, termite, waterproof, so we can easily differentiate with the wood and PVC. With the PVC product itself, we have qualitative products. What we have provided for the last 15 years, we have a largest number of SKUs in this segment, with the colour, sizes, textures. So that's how we can, I mean, convince the dealers.

Bhavani Kumawat: And the incentive structure remains the same more or less as compared to the any other category which is in wood?

- Chintan Bodar:** Sorry. Incentive?
- Bhavani Kumawat:** Yeah. Incentive in the channel.
- Chintan Bodar:** No. As of now, we are not doing anything to, I mean, particularly, with the customer-to-customer, there are terms and condition are there.
- Bhavani Kumawat:** Okay. Got it. And this may be, how much size of market? Any number over here?
- Chintan Bodar:** Yeah. I don't have number.
- Bhavani Kumawat:** Okay. Any ballpark if you can say, like, there are ₹2,000 crores to ₹3,000 crores of kind of market?
- Chintan Bodar:** Frankly speaking, actually, there is no publication or there is no published number for this.
- Bhavani Kumawat:** Got it. Also, just wanted to understand on your product only. You said that waterproof and termite resistance. But at the same time, if you take that, now all the wood panel also are putting in the same even they are talking about, even they are not talking if they've already launched some kind of product which are fire resistant or regarded also. So, is that the same reason, do we have also in our products?
- Chintan Bodar:** So, if compare the prices, then there is no difference between the prices. Now, the next question will come on the colours and texture side. So, we have already developed many colours and textures for this segment. So, for the comparison, you can compare these points also.
- Bhavani Kumawat:** Understood. So more what I've understood are there PVC in a product or our product is mainly a product which are more of kind of a flexible kind of product, which can be easily bendable or easily we can do any kind of modification over there, which is a painful kind of work in the wood, right? What I understood?
- Chintan Bodar:** Yeah. Easy to install and fast installation with the PVC compared to wood.
- Bhavani Kumawat:** And this is fire retardant, right?

- Chintan Bodar:** Correct. Correct.
- Bhavani Kumawat:** Understood. Thank you.
- Moderator:** Thanks, Bhavani. We'll take the last question for the day from Piyush Patel. Piyush, you can go ahead.
- Piyush Patel:** Yes. I have a capacity related question. Like, how much space is available to further expand at the current new location in future, and what would be full revenue potential of the current side?
- Chintan Bodar:** For the current, capacity, we can achieve ₹400 crores to ₹425 crores, for the same facility and machineries. And for the further expansion, we have the space within the same, I mean premises, buildings. And we do have also additional space, near to factory so we can expand with the time permits.
- Piyush Patel:** But what will the full revenue potential after expanding?
- Chintan Bodar:** No. That depends on the expansion. Because how much we will invest in the machineries and building, that will show the revenue expansion.
- Piyush Patel:** And one follow-up on that. Are you able to get employees to work in plan considering that the plant is further away from the city? What's your hiring and employee retention strategy for them?
- Chintan Bodar:** I mean, for labourers and operators, we already we are providing them the food and accommodation that we have created for them at the new premises also. And for the office staff, they can work remotely in at the head office sitting in Ahmedabad.
- Piyush Patel:** Okay. Thank you.
- Moderator:** Thank you, Piyush. Since that is the last question for the day, we would like to come to the end of the conference call. Chintan, would you like to give any closing comments?
- Chintan Bodar:** No. I mean, for the first half, we have not seen the tremendous growth due to electricity issue, and hopefully that will be resolved in the second half. So, we can achieve, what we have thought for that is 30% year on growth in the coming time. That's it.
- Vinay Pandit:** Sure. Thank you. That brings us to the end of today's conference call. Thank you to all the participants for joining on the call, and thank you

to the management for the valuable time. And wish you all a very Happy Diwali and a Prosperous New Year. Thank you so much.

Chintan Bodar: Thank you.